

**EMIGRATION IMPROVEMENT DISTRICT**

**FINANCIAL STATEMENTS**

**with**

**INDEPENDENT AUDITORS' REPORT**

**December 31, 2005**

**EMIGRATION IMPROVEMENT DISTRICT**  
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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Emigration Improvement District  
Salt Lake City, Utah

We have audited the accompanying basic financial statements of the Emigration Improvement District as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the management of the Emigration Improvement District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emigration Improvement District as of December 31, 2005 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2006 on our consideration of Emigration Improvement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 through 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

*Terry, Price & Wunderli*

Salt Lake City, Utah  
November 30, 2006

## **EMIGRATION IMPROVEMENT DISTRICT**

### **MANAGEMENT'S DISCUSSION and ANALYSIS (Unaudited)**

**December 31, 2005**

This discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the District's basic financial statements, which begin on page 6.

#### **FINANCIAL HIGHLIGHTS**

- Assets exceeded liabilities at Dec. 31, 2005 by \$2,631,882.
- Net assets increased \$57,969.
- Operating revenues increased \$91,706, while operating expenses decreased \$34,221.
- Interest income increased \$6,194.
- \$31,866 was spent on a feasibility study in anticipation of expanding the District's distribution lines to provide water to an additional 219 properties in Emigration Canyon.

#### **OVERVIEW OF THE FINANCIAL REPORT:**

This annual report consists of two parts: Management's Discussion and Analysis (MD&A) and Financial Statements. Included with the Financial Statements are notes that explain in more detail some of the information presented in the Financial Statements.

The MD&A serves as an introduction to the basic financial statements and supplementary information, and represents management's analysis of the District's financial condition and performance.

The Financial Statements report information about the District using full accrual accounting methods, which are similar to financial reporting by businesses in the private sector. The Financial Statements consist of a series of financial statements as follows:

The *Statement of Net Assets* presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities and Changes in Net Assets* presents information showing how the District's net assets changed during the year presented. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The *Statement of Cash Flows* presents information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as what were the sources of cash, what was cash used for, and how much did the cash balance change during the year.

The *Notes to Financial Statements* provide required disclosures and other information that are essential to the full understanding of material data provided in the financial statements. The *Notes* present information about the District's accounting policies, significant account balances, obligations, commitments, contingencies, and subsequent events.

# **EMIGRATION IMPROVEMENT DISTRICT**

## **MANAGEMENT'S DISCUSSION and ANALYSIS (Unaudited), continued**

**December 31, 2005**

### **FINANCIAL ANALYSIS**

77% of the District's net assets are invested in capital assets, less related debt. The remaining 23% is unrestricted net assets, and may be used to meet the obligations of the District to vendors, contractors, and creditors.

	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 637,335	\$ 520,878
Capital assets, net of depreciation	<u>3,302,116</u>	<u>3,423,418</u>
Total Assets	<u><u>\$3,939,451</u></u>	<u><u>\$ 3,944,296</u></u>
Current Liabilities	\$ 84,569	\$ 80,133
Noncurrent Liabilities	<u>1,223,000</u>	<u>1,283,000</u>
Total Liabilities	<u><u>1,307,569</u></u>	<u><u>1,370,383</u></u>
Net Assets Invested in Capital Assets, Net of Related Debt	2,019,116	2,081,418
Net Assets Unrestricted	<u>612,766</u>	<u>492,495</u>
Total Net Assets	<u><u>2,631,882</u></u>	<u><u>2,573,913</u></u>
Total Liabilities and Net Assets	<u><u>\$3,939,451</u></u>	<u><u>\$3,944,296</u></u>

While the *Statement of Net Assets* shows that net assets increased \$57,969, the *Statement of Activities and Changes in Net Assets* shows the sources for the increase in net assets.

Operating revenues for 2005 increased \$91,706 over 2004, and nonoperating revenues for 2005 increased \$8,882 over 2004. Nonoperating expenses for 2005 increased \$31,985 over 2004, most of which (\$31,866) was the money expended on the feasibility study, mentioned in Financial Highlights.

	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 296,609	\$ 204,903
Nonoperating revenues	150,651	141,769
Nonoperating expenses	(58,138)	(26,153)

Operating expenses in 2005 decreased \$34,221 over 2004. A brief comparison of the expenses follows:

	<u>2005</u>	<u>2004</u>	Increase (Decrease)
Hydrological engineering	\$ 14,197	\$ 9,422	\$ 4,775
Repairs and maintenance	76,586	114,918	(38,332)
Management costs	61,800	55,325	6,475
Professional services	12,195	13,089	(894)
Office supplies	2,938	2,511	427
Trustee fees	11,820	11,880	(60)
Utilities and telephone	24,353	26,617	(2,264)
Other costs	5,961	10,051	(4,090)
Depreciation expense	<u>121,303</u>	<u>121,561</u>	<u>(258)</u>
	<u><u>\$331,153</u></u>	<u><u>\$365,374</u></u>	<u><u>\$ (34,221)</u></u>

## EMIGRATION IMPROVEMENT DISTRICT

### MANAGEMENT'S DISCUSSION and ANALYSIS (Unaudited), continued

December 31, 2005

#### ANALYSIS OF BUDGET VARIANCES

Amendments were made to the District's original budget to more accurately reflect the expected revenues and expenses as the year progressed. The following table provides a comparison of budgeted versus actual activity:

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property Taxes	\$116,000	\$128,000	\$ 136,565	\$ 8,565
Water Use Income	80,000	87,875	97,207	9,332
Fee Income	107,500	208,650	199,402	(9,248)
Interest Income	<u>7,600</u>	<u>13,975</u>	<u>14,086</u>	<u>111</u>
Total Revenues	<u>311,100</u>	<u>438,500</u>	<u>447,260</u>	<u>8,760</u>
<b>EXPENDITURES</b>				
Operating Expenses	328,600	333,400	331,153	2,247
Interest on revenue bonds	27,000	26,300	26,272	28
Feasibility study	<u>30,000</u>	<u>32,150</u>	<u>31,866</u>	<u>284</u>
Total Expenditures	<u>385,600</u>	<u>391,850</u>	<u>389,291</u>	<u>2,559</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$(74,500)</u>	<u>\$ 46,650</u>	<u>\$ 57,969</u>	<u>\$ 11,319</u>

#### ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

A study was begun in 2005 to determine if it would be economically feasible to extend the District's services to other properties in the Canyon. Following that study, and after several open meetings to receive public input, commitments were made to extend the District's distribution lines about 3.3 miles in order to provide additional properties with water services. The District received approval in 2006 for a bond in the amount of \$ 2,860,000 to be coupled with funds from the District in the amount of \$ 320,000 for a total of \$ 3,180,000, the estimated cost of the project. A large share of the District's cost has already been paid by the District, since the cost of the feasibility study is allowed to count toward the District's share.

The water and soil in the vicinity of the wells and in the service area of the District are very corrosive. A large saddle replacement, caused by the corrosion of the saddles, was reported in 2004. This corrosion has also taken its toll on the well piping. The corrosion developed a hole in the Brigham Fork well piping that reached sufficient size that the Brigham Fork well was unable to produce any significant amount of water into the system and was therefore taken off line after September 30, 2005. The District developed a plan to pull the pump and pipe out of the well and replace or repair necessary pipe and fittings. A long term increasing problem of the presence of an iron bacteria known as Gallionella also needed to be addressed. The bacteria is not a health hazard, but tints the water brown which is unacceptable in the system. Therefore, after much research, testing and consulting of experts in the western part of the country, a plan was developed to chemically treat the well at the same time the pipe was out of the well. This renovation occurred in 2006 at a cost approaching

## EMIGRATION IMPROVEMENT DISTRICT

### MANAGEMENT'S DISCUSSION and ANALYSIS (Unaudited), continued

December 31, 2005

\$100,000, which is included in the revised budget for 2006. The iron piping will be replaced with plastic piping that has been developed for use in wells in hopes that the problem will be minimized in the future. The plastic piping will reduce the iron available for attack by the Gallionella. The District also plans to install a one inch PVC line alongside the new piping to allow for additional chemical treatments in the future without having to remove the pump should the Gallionella problem continue, which we are told may happen.

Fortunately, the two remaining wells were able to pump sufficient water to provide the needs for all service areas during the last quarter of 2005 and all of 2006, which speaks to the quality and quantity of water available to the District with its existing wells.

#### CAPITAL ASSETS and DEBT ADMINISTRATION

##### Capital Assets

During 2005 the District acquired no new capital assets. A review of the schedule below shows that capital assets, net of depreciation, decreased \$121,302, which was the amount of depreciation expense recognized during the year.

	<u>2005</u>	<u>2004</u>
Land and Easements	\$ 140,500	\$ 140,500
Reservoirs, pipelines, and pump equipment	3,131,555	3,242,037
Other equipment	<u>30,061</u>	<u>40,881</u>
Total Capital Assets (Net of Depreciation)	<u>\$3,302,116</u>	<u>\$3,423,418</u>

##### Long-term Debt

At the end of 2005, Emigration Improvement District had total bonded debt outstanding in the amount of \$1,283,000, consisting entirely of revenue bonds. Additional information on the District's long-term debt can be found in Note 6 on page 13 of this report.

In addition to the bonds outstanding at the end of 2005, the District received authorization in July 2006 to issue an additional \$2,160,000 for the proposed 3.3 mile expansion of the distribution pipeline, which will service another 219 properties. That bond commitment was increased on September 15, 2006 by the Utah State Division of Water Resources to \$2,860,000.

#### CONTACTING THE DISTRICT'S MANAGEMENT

This report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's manager at 3350 Emigration Canyon Road, Salt Lake City, Utah 84108, or by phone at (801) 582-6176. The District also has a link to a web site available at [www.emigrationcanyon.org](http://www.emigrationcanyon.org), where minutes of trustee meetings, budgets, notices of meetings, financial and other information is also available.

**EMIGRATION IMPROVEMENT DISTRICT**  
**STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 416,758
Accounts receivable (less allowance for uncollectible accounts of \$3,053)	13,025
Property taxes receivable	9,823
Notes receivable-Impact Fees-current portion	<u>11,766</u>
Total current assets	<u>451,372</u>

Noncurrent assets:

Depreciable capital assets, net of accumulated depreciation	3,302,116
Notes receivable-Impact Fees-noncurrent portion	<u>185,963</u>
Total noncurrent assets	<u>3,488,079</u>

TOTAL ASSETS \$ 3,939,451

**LIABILITIES**

Current liabilities:

Accounts payable	\$ 11,675
Accrued interest payable on bonds	12,894
Revenue bonds payable-current portion	<u>60,000</u>
Total current liabilities	<u>84,569</u>

Noncurrent liabilities:

Revenue bonds payable-noncurrent portion	<u>1,223,000</u>
Total noncurrent liabilities	<u>1,223,000</u>

TOTAL LIABILITIES \$ 1,307,569

**NET ASSETS**

Invested in capital assets, net of related debt	2,510,019
Unrestricted	<u>121,863</u>

TOTAL NET ASSETS \$ 2,631,882

TOTAL LIABILITIES AND NET ASSETS \$ 3,939,451

See accompanying notes to the basic financial statements



**EMIGRATION IMPROVEMENT DISTRICT**  
**STATEMENT OF ACTIVITIES and CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>OPERATING REVENUES:</b>	
Application & impact fees	\$ 199,402
Water charges & service fees	<u>97,207</u>
<b>TOTAL OPERATING REVENUES</b>	<u>296,609</u>
<b>OPERATING EXPENSES:</b>	
Hydrological engineering	14,197
Repairs and maintenance	76,586
Management cost	61,800
Professional services	12,195
Insurance	3,181
Licenses & Permits	125
Office supplies	2,938
Secretarial service	1,510
Trustee fees	11,820
Utilities and telephone	24,353
Depreciation	121,303
Other miscellaneous administrative costs	<u>1,145</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>331,153</u>
<b>OPERATING (LOSS)</b>	<u>(34,544)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Property tax collections	136,565
Interest income	14,086
Interest expense on revenue bonds	(26,272)
Feasibility study	<u>(31,866)</u>
<b>TOTAL NON-OPERATING REVENUES</b>	<u>92,513</u>
<b>CHANGE IN NET ASSETS</b>	57,969
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,573,913</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,631,882</u>

See accompanying notes to the basic financial statements

**EMIGRATION IMPROVEMENT DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 288,817
Payments to suppliers and professionals	<u>(206,165)</u>
Net cash provided by operating activities	<u>82,652</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Property taxes collected	<u>133,343</u>
Net cash provided by noncapital financing activities	<u>133,343</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payment of feasibility study	(31,866)
Proceeds from long-term obligations	0
Principal paid on long-term obligations	(59,000)
Interest paid on long-term obligations	(26,521)
Receipts from customers on notes financed, net of new note financings	<u>16,273</u>
Net cash (used in) capital and related financing activities	<u>(101,114)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>14,086</u>
Net cash provided by investing activities	<u>14,086</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	128,967
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>287,791</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 416,758</u></u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>	
Unrestricted cash and cash equivalents	<u><u>\$ 416,758</u></u>

See accompanying notes to the basic financial statements

**EMIGRATION IMPROVEMENT DISTRICT**  
**STATEMENT OF CASH FLOWS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Reconciliation of operating income to net cash provided by (used in) operating activities:	
Operating income (loss)	(34,544)
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation and amortization	121,303
Changes in assets and liabilities	
Accounts receivable	(541)
Accounts payable	3,685
Writedown of old refundable deposits	(2,250)
Writedown of old performance bond deposits	(5,000)
Rounding adjustment	(1)
Net cash provided by operating activities	<u>\$ 82,652</u>

See accompanying notes to the basic financial statements

**EMIGRATION IMPROVEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 1. ORGANIZATION and SIGNIFICANT ACCOUNTING POLICIES**

The Emigration Improvement District (the "District") was established on September 4, 1968 by the Salt Lake County Commission under authority of Utah Code, Title 17, Chapter 6. The District is a special district, established to deliver water and provide sewer service to the residents of Emigration Canyon. The District is governed by a Board of Trustees comprised of three publicly elected members. The District hired a manager on January 1, 2002, as an independent contractor, to serve on a part-time basis. The District has no employees.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

**a. Reporting Entity**

In determining the reporting entity, the District applied the criteria on Statement No. 14 of the Governmental Accounting Standards Board. The underlying concept of Statement No. 14 is that the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria used for determining financial accountability is whether the District's board appoints a voting majority of the potential component unit's (PCU) board, whether the board of the primary government can impose their will on the PCU and whether the PCU imposes a financial benefit or burden on the primary government. Emigration Improvement District applied this criteria and concluded that it is not a component unit of any primary government nor does it have any component units that should be reported in the District's financial statements.

**b. Measurement Focus and Basis of Accounting**

The District is an enterprise fund, which is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows.

The Governmental Accounting Standards Board (GASB) is responsible for establishing Generally Accepted Accounting Principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). The District applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the District does not apply FASB pronouncements issued after November 30, 1989.

**EMIGRATION IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**c. Fund Accounting**

The accounts of the District are kept in two separate funds with separate bank accounts, but are consolidated as one proprietary fund, specifically as an enterprise fund that is all inclusive, for reporting purposes. The two funds are: 1) a general fund for the general operations of the District, and 2) the Oaks Fund, which accounts for all water system related revenues and expenditures. Enterprise funds account for operations that provide goods or services to the general public on a continuing basis. Such operations are financed and operated in a manner similar to private businesses and are intended to be self-supporting through charges to users. The measurement focus is upon determination of net income, financial position and changes in cash flows.

**d. Property Taxes**

The budgeting and accounting for property taxes is accounted for on an accrual basis with appropriate recognition of taxes receivable at year end. The property tax revenue of the District is levied, collected, and distributed by Salt Lake County as required by State law.

Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. The property taxes attach as an enforceable lien on real property as of January 1. By the third Monday in September, the county assessor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30. Property tax receivables are recorded as of the date levied (assessed). Personal property taxes are also recorded as receivables and revenues in the accompanying financial statements.

**e. Cash and Cash Equivalents**

The District's cash and cash equivalents include cash on hand, demand deposits, and short-term investments. For the purposes of the statement of cash flows, the District considers cash equivalents to be all highly liquid investments with original maturities of three months or less from the date of acquisition.

**f. Property, Plant, and Equipment**

Property, plant and equipment are stated at cost for assets acquired or constructed. Contributed fixed assets are recorded at estimated fair market value at the time received. Depreciation of the fixed assets is recognized using the straight line method over estimated useful lives of 40 years for wells and reservoirs, 20 years for pipelines, and 5 to 15 years for pumping and related equipment.

# **EMIGRATION IMPROVEMENT DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

### **NOTE 2. CASH DEPOSITS and INVESTMENTS**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

Following are the components of the District's cash and investments at December 31, 2005:

Cash balance in bank account	\$ 24,325
Public Treasurer's Investment Fund	<u>392,433</u>
 Total cash and investments	 <u>\$ 416,758</u>

*Cash* - At December 31, 2005 the carrying amount of the District's cash on deposit was \$24,325, and the bank statement balances totaled \$34,207. No deposits are collateralized nor is it required by State statute.

The District's cash deposits are categorized to give an indication of the level of risk assumed by the District at year end. The categories are described as follows:

Category 1 - Insured by the FDIC.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department.

Category 3 - Uninsured and uncollateralized.

	<u>Category</u>			<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Amount</u>
Cash in Bank	\$ 2,4325	\$ -	\$ -	\$ 34,207	\$ 24,325

*Investments* - Investments consisted of the following at December 31, 2005:

Utah State Public Treasurer's Investment Fund	\$392,433
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The investment in the Utah State Public Treasurer's Investment Fund represents funds in a pooled investment fund managed by the Utah State Treasurer, which is considered to be a highly liquid investment. The cost of the investments approximates their market value.

The District follows, and management believes it is in compliance with, the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of District funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**EMIGRATION IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 3. PROPERTY TAX REVENUE**

The District's total tax rate for 2005 is .000773. The entire amount is used to meet operating and maintenance expenses. Property tax revenue for the year ended December 31, 2005 was \$136,565. Property tax revenue is reported in the Statement of Activities and Changes in Net Assets as non-operating revenue.

**NOTE 4. FIXED ASSETS**

When the District assumed control over the water system in 1998 of Freeze Creek Water Company, adequate records of assets and their cost were not made available to the District. A fair market value estimate of those assets was made by the District's Board of Trustees, and represents the estimate of fair market value at December 31, 1999. Depreciation of the assets received from the Freeze Creek Water Company is recognized in the Statement of Activities and Changes in Net Assets, along with the depreciation of the District's other fixed assets.

A summary of changes in fixed assets for the year ended December 31, 2005 is as follows:

	Balance Dec. 31, 2004	Additions	Transfers & Retirements	Balance Dec. 31, 2005
Water System	\$ 3,650,735	-	-	\$ 3,650,735
Office equipment	1,784	-	-	1,784
Land	140,500	-	-	140,500
Total	3,793,019	-	-	3,793,019
Accumulated depreciation	(369,600)	(121,303)	-	(490,903)
Fixed assets, net	\$ 3,423,419	( 121,303)	-	\$ 3,302,116

**NOTE 5. LONG-TERM DEBT**

The District received authorization from the State of Utah under their SRF Program in November 2002 for the issuance of revenue bonds in the amount of \$1,846,000 to finance the construction of a new Brigham Fork well, a one-million gallon Wildflower reservoir, and new pipeline to deliver water to lots not previously serviced by the District. The bonds are owned by the Drinking Water Board of the State of Utah, and are funded from the State's SRF funds, which are administered by the state, but are partially state funds and partially federal funds. The bonds bear an interest rate of 2.01%, and have a repayment schedule covering twenty years. The District approved issuance of \$1,400,000 of the bond authorization.

**EMIGRATION IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 5. LONG-TERM DEBT (Continued)**

Long-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Revenue bonds	<u>\$1,342,000</u>	<u>-</u>	<u>\$ 59,000</u>	<u>\$1,283,000</u>	<u>\$ 60,000</u>
Total Bonds Payable	<u>\$1,342,000</u>	<u>-</u>	<u>\$ 59,000</u>	<u>\$1,283,000</u>	<u>\$ 60,000</u>

Repayment of principal plus accrued interest is due each July 1, according to the following schedule:

	<u>Principal Maturing</u>	<u>Interest due</u>	<u>Total Payment</u>
2006	\$ 60,000	\$ 25,788	\$ 85,788
2007	61,000	24,582	85,582
2008	62,000	23,356	85,356
2009	64,000	22,110	86,110
2010	65,000	20,824	85,824
Thereafter	<u>971,000</u>	<u>\$142,107</u>	<u>\$1,113,107</u>
	<u>\$1,283,000</u>	<u>\$285,767</u>	<u>\$1,541,767</u>

The District accrued interest expense as of December 31, 2005 in the amount of \$12,894. Total interest expense incurred on long-term debt for the year ended December 31, 2005 was \$26,272, of which none was capitalized. Repayment of the principal and interest will come from impact fees for the lots that hook-up to the system, and additional water sales produced by the expanded system.

**NOTE 6. NOTES RECEIVABLE - IMPACT FEES**

In 2003, when approximately 45 additional residential connections were added to the District's water system, each additional residence was charged a \$6,200 combined impact and meter fee for their connection. The residents were offered the choice of paying this fee up front or financing it with the District over a twenty (20) year period or shorter if they choose. Those who chose to finance their impact fee pay interest at a variable rate that adjusts on January 1 each year to a rate equal to the rate paid at the beginning of the year on the District's investments with the Utah State Public Treasurer's Investment Fund, plus an additional 1/4%. It is anticipated that future connections to the expanded system will be offered similar terms for the impact and meter fees which their connection will cost.



**EMIGRATION IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 7. SUBSEQUENT EVENT**

On September 15, 2006, the District received approval from the Utah State Division of Water Resources to issue thirty (30) year revenue bonds in the amount of \$2,860,000 bearing interest at 1% per annum. The bonds will be used to pay for the cost of a 3.3 mile extension of water lines that will provide water to 219 other properties in Emigration Canyon, and is expected to be repaid from connection and impact fees, as well as the revenue from providing the water service to the additional properties. The approval of the bonds has no effect on the financial statements as of December 31, 2005.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Emigration Improvement District  
Salt Lake City, Utah

We have audited the financial statements of Emigration Improvement District as of and for the year ended December 31, 2005, and have issued our report thereon dated November 30, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Emigration Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emigration Improvement District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might represent material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Emigration Improvement District, and is not intended to be and should not be used by anyone other than the party specified.

Salt Lake City, Utah  
November 30, 2006

*Terry, Price & Wunderli*

## INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

To the Board of Trustees  
Emigration Improvement District

We have audited the financial statements of Emigration Improvement District for the year ended December 31, 2005 and have issued our report thereon dated November 30, 2006. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Cash Management	Budgetary Compliance
Purchasing Requirements	Other Compliance Requirements
Public Debt	Truth in Taxation and Property Tax Limitations
Special Districts	

The District did not receive any major or non-major State grants during the year ended December 31, 2005.

The management of Emigration Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with requirements referred to above, which is described in the accompanying management letter. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Emigration Improvement District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

*Terry, Price & Wunderli*

Salt Lake City, Utah  
November 30, 2006

**EMIGRATION IMPROVEMENT DISTRICT**  
**Schedule of Findings and Questioned Costs**

**Year ended December 31, 2005**

**Finding Number 1:** Inadequate separation of duties

The District manager has responsibility for all areas of receiving and recording cash receipts, writing and signing checks, recording the checks, and reconciling the bank statements for the cash collections and disbursements.

**Auditor recommendation:**

In response to this same finding the previous year, the District implemented procedures where one of the trustees performs a review of the receipts, disbursements, invoices, financial reports, and reconciliations of bank statements. This is being done on a quarterly basis, and is an improvement in internal controls. We recommend that similar reviews by a trustee continue to take place.

**District's response:**

We will continue to have a trustee review the deposits, disbursements, invoices, reports, and reconciliations on a regular basis in accordance with the auditors' suggestion.

**Prior Year Findings:**

The prior year finding of inadequate separation of duties is repeated in the current year, and is expected to be a part of any small organization's operations, because of limited resources to apply procedures that adequately separate the accounting functions. While inadequate segregation of duties is considered to be a weakness in internal control, it is not considered to be a material weakness, and the District has attempted to overcome it with additional procedures as explained above.